

Administrative - Internal Use Only

24 June 1980

OFFICE OF FINANCE NOTICE NO. 23-80

OFFICE OF LOGISTICS
PROCUREMENT NOTE NO. 138

FUNDING OF AGENCY CONTRACTS

1. The purpose of this joint OL/OF Notice is to clarify how Agency contract actions should be funded. This Notice supersedes and cancels Procurement Note. No. 90, dated 20 February 1976.

2. A summary of various types of actions and the fiscal year funds to be used is as follows:

a. Contract Executions

(1) Basic contract (fully funded) --
Use fiscal year funds current at execution.

(2) Basic contract (incrementally funded -
R&D funds only) -- Use fiscal year funds current at
execution and subsequent fiscal year funds, as required.

(3) Basic contract (with availability of
funds clause) -- Use next year's funds when they become
available and notice is sent to contractor.

b. Contract Modifications

(1) Price adjustments on fixed-price contracts
with provision for escalation -- Use fiscal year funds
current at basic contract execution.

(2) Modifications within the general scope
of a contract, pursuant to the changes clause, whether
by change order or supplemental agreement -- Use fiscal
year funds current at basic contract execution. If such
funds are not available, then fiscal year funds current
at the time of issuance of the change order or supple-
mental agreement may be used as a last resort. If the
contract is incrementally funded, use fiscal year funds

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current at basic contract execution or subsequent fiscal years including funds current at the time of execution of the amendment.

(3) Modifications outside the general scope of the contract -- Use fiscal year funds current when the modification is executed. If research and development, the modification may be incrementally funded.

(4) Modifications providing funding for overruns -- Use fiscal year funds current at time of basic contract execution. Current fiscal year funds may be used as a last resort. If contract is incrementally funded, use fiscal year funds available at time of basic contract execution, or funds from subsequent fiscal years covered under the period of performance of the contract including current fiscal year funds.

3. A summary of the proper amount to obligate, based upon various types of actions, is as follows:

a. Firm-Fixed Price Contract -- Total contract price.

b. Fixed-Price-Incentive-Fee Contract -- Target price.

c. Cost-Plus-Fixed-Fee Contract -- Estimated cost plus fixed fee.

d. Cost-Plus-Incentive-Fee Contract -- Target cost plus target fee.

e. Cost-Plus-Award-Fee Contract -- Estimated cost, base fee and maximum award fee potential. If a billing fee has been established which represents a reasonable target fee, the funds to cover the billing fee may be obligated in lieu of the base fee and maximum award fee potential.

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f. Time and Materials Contract --
Estimated price.

g. Letter Contract -- The estimated
funds required to date of definitization.

h. Change Order -- The estimated amount
of the change order.

4. This procurement note does not cover all possible funding considerations. Matters not covered should be discussed with representatives of the Logistics and Procurement Law Division, Office of General Counsel. Because of cover and other considerations, it has been determined that in no event will funding be permitted which would require going against unobligated balances no longer held by the Agency.

5. The administrative steps necessary to make funds available for obligation must be consistent with existing procedures for reprogramming, application, or release of funds.

/s/ James H. McDonald
James H. McDonald
Director of Logistics

(signed) Edward L. Sherman

Edward L. Sherman
Director of Finance

CONCURRENCE:

STATINTL


Assistant General Counsel

04 JUN 1980

Date

STATINTL


Comptroller

23 JUN 1980

Date

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